The Genuine Progress Indicator as an economic and well-being indicator for Ohio: A summary

GDP: A flawed economic indicator

GDP is a key measure of U.S. economic activity, and is calculated by adding the economic value of goods and services produced in our nation. However, GDP fails to distinguish between economic "bads" that reduce society's well-being and "goods" that contribute to our well-being. The quality of our education, social networks, and economic contributions from the natural world go uncounted, while expenses for prisons, pollution, and disaster cleanup are counted as benefits to society. Yet GDP remains one of the most widely cited indicators of economic and societal progress. In response to the problems of using GDP to indicate society's well-being, Redefining Progress, a San Francisco-based think tank developed the Genuine Progress Indicator (GPI) as an alternative monetary-based economic indicator (expressed in U.S. dollars per capita). GPI incorporates 26 economic, social, and environmental components to give a clearer view of society's well-being (Table 1). To get around the "apples to oranges" problem in comparing these diverse components, values are converted into dollar figures using increasingly accurate economic studies that value their contributions to quality of life. If growth of the economic sector comes at high cost to our social structure or critical parts of the natural environment, such growth will be less desirable when compared to more sustainable types of economic development.

Table 1. Factors incorporated into the Genuine Progress Indicator

Economic variables	Social variables	Environmental variables
Personal consumption per capita	Cost of crime	Cost of water pollution
Income distribution	Cost of family breakdown	Cost of air pollution
Consumption adj. for income inequality	Loss of leisure time	Cost of noise pollution
Value of household labor	Cost of underemployment	Loss of wetlands
Value of volunteer work	Cost of consumer durables	Loss of farmland
Services of household capital	Cost of commuting	Depletion of nonrenewable resources
Services of highways and streets	Cost of household pollution abatement	Long-term environmental damage
Net capital investment	Cost of automobile accidents	Cost of ozone depletion
Net foreign lending and borrowing		Loss of forest cover

In the U.S., GDP has risen consistently since World War II. However, GPI has stayed flat or declined slightly since the 1970s, indicating that today's economic growth may come at the expense of other facets of quality of life. Studies from over a dozen other countries have produced similar results, leading researchers to propose a "threshold hypothesis" – that economic growth improves quality of life up to a point, but beyond this point it erodes quality of life. Given the frantic pace of most Americans' daily lives, the erosion of social quality may not be surprising. No less obvious is the loss of valuable open space surrounding most cities and rise in greenhouse gas emissions, both of which have accelerated in recent decades.

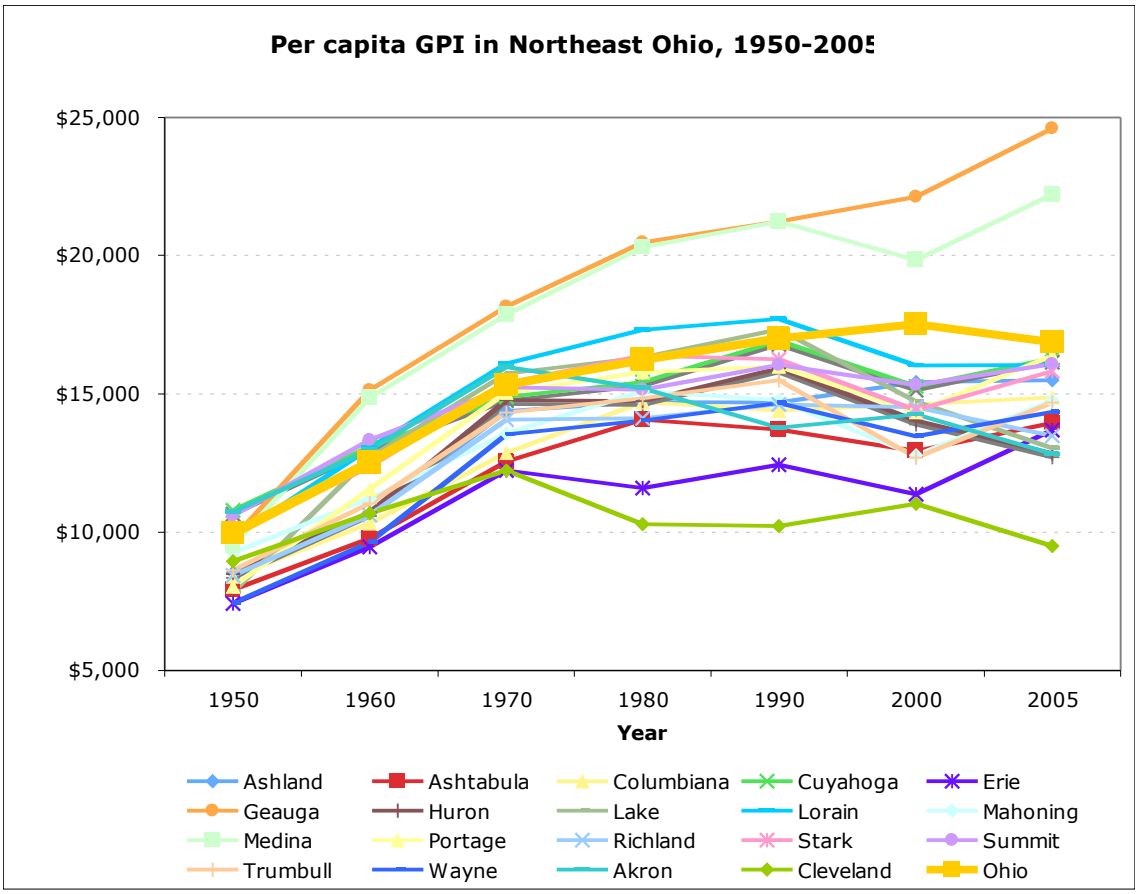
State and local governments face tough choices in their environmental, social, and economic policies, but rarely integrate these categories in seeking improved quality of life for their citizens. In too many cases, a "jobs versus the environment" mindset creates

confrontation between environmental and business interests, preventing innovative public and private sector solutions. As a planning tool, GPI can be used to explore whether new development or policies provide local economic benefits while sustaining social and environmental conditions – requirements of truly sustainable development. Conversely, GPI can show growth that is economically, socially, or environmentally damaging and unsustainable. Framing proposed development and policy decisions using GPI could aid communities in making choices that benefit their overall quality of life, without sacrificing economic, social, and environmental well-being. Canada's Atlantic Maritime provinces are one such example, and have used GPI to frame serious discussions of their quality of life, proposed policies, and visions for their communities' future. Green City Blue Lake, a Cleveland-area nonprofit, is also beginning use of the GPI to begin discussions about regional sustainability and economic development.

The Genuine Progress Indicator in Ohio

Building on past studies, we calculated the GPI for the State of Ohio, cities of Akron and Cleveland, and 17 Northeast Ohio counties (Ashland, Ashtabula, Columbiana, Cuyahoga, Erie, Geauga, Huron, Lake, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull, and Wayne) from 1950-2005[1]. Data quality limitations mean that results are most reliable from 1990 onward, but also that regular, accurate updates of the GPI at the state, county, and large city level are entirely feasible. From 1990-2005, we found per capita GPI to grow in 8 counties and decline in 9 counties, the State of Ohio, and cities of Akron and Cleveland. Per capita GPI was greatest in suburban counties and lowest in urban areas. These trends are largely driven by gains in personal consumption relative to rising environmental, social, and economic costs. Important costs include those of income inequality, climate change, nonrenewable resource depletion, and consumer durables. GPI is not a perfect indicator of sustainability or society's well-being. Yet it remains a vast improvement over GDP, which ignores many key economic, social, and environmental contributors to our well-being.

[1] Bagstad, K.J. and M.R. Shammin. The Genuine Progress Indicator as a measure of regional economic welfare: A case study for Northeast Ohio. Manuscript in preparation.



Per capita GPI in Ohio, Akron and Cleveland, and 17 Northeast Ohio counties, 1950-2005